

# UNIT 70 LIMITATION OF COSTS

(Formerly Unit 64)

## UNIT CERTIFICATION

### Statement of Completion

\_\_\_\_\_ has satisfactorily completed on-the-job training in the duty or duties of this Unit under the conditions described below and in accordance with the overall standard(s) for this Unit.

<b>Duty</b>	Recommend the best course of action when notified of a potential cost overrun.
-------------	--

<b>Conditions</b>	Given (1) a Cost Reimbursement, Time and Materials, or Labor Hour contract, (2) a notice from the Contractor under FAR 52.232-7 or 52.232-20 regarding costs expected to be incurred, (3) progress reports, and (4) other data from performance monitoring per Unit 58.
-------------------	---

<b>Overall Standard(s)</b>	<p>In each case, select the course of action that best:</p> <ul style="list-style-type: none"><li>• Minimizes risk to the Government of incomplete performance.</li><li>• Obtains maximum performance within funds available to the program office.</li></ul>
----------------------------	---

Correctly prepare the proper document to notify and instruct the contractor on the selected course of action.

### Evaluator

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# UNIT 70 LIMITATION OF COSTS

DOCUMENTATION OF OJT ASSIGNMENT(S)
<b>Description of Assignment:</b>
<b>Evaluation:</b>
<b>Completion Date:</b>

# UNIT 70 LIMITATION OF COSTS

## Policies

<i>FAR</i>	<i>Agency Suppl.</i>	<i>Subject</i>
32.702		Anti-deficiency policies.
32.704		Limitation of cost or funds.
32.705-2		Clauses.
52.232-7		Payments under Time-and-Materials and Labor-Hour contracts.
52.232-20		Limitation of cost.
52.232-22		Limitation of funds (incrementally funded cost reimbursement contracts).

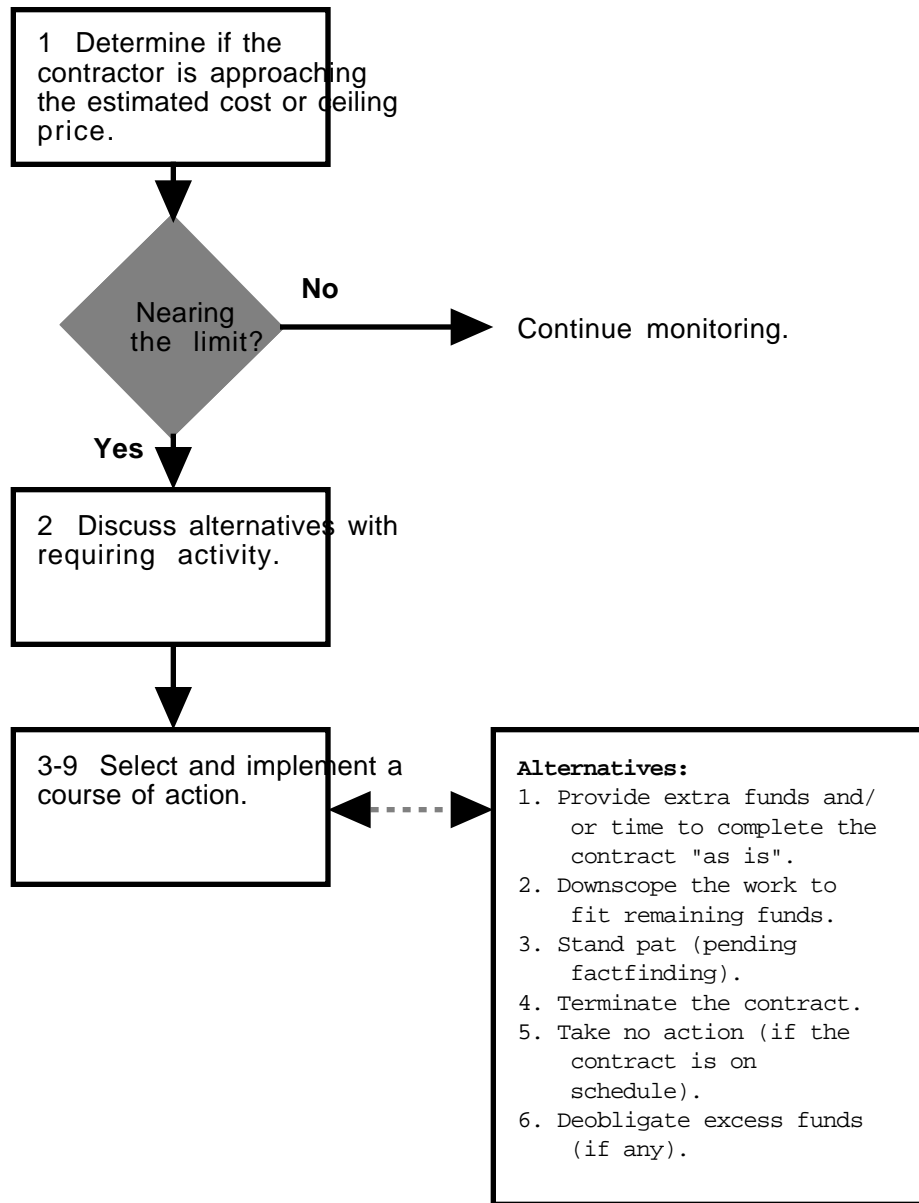
## Other KSA's

1. Knowledge of the Anti-Deficiency Act.

---

**Other Policies and References (Annotate As Necessary):**

# LIMITATION OF COSTS



# UNIT 70 LIMITATION OF COSTS

## Tasks

## Related Standards

<p>1. Determine if the contractor is approaching either the (1) estimated cost specified in the Schedule, (2) limit of funds allotted or (3) the ceiling price (Time-and-Materials or Labor-Hour contract).</p> <ul style="list-style-type: none"> <li>• Notice from contractor.</li> <li>• Monitoring (per Unit 58).</li> </ul>	<p>1. Contractors may only exceed the limits set out in the contract at the risk of not being funded, according to the contract's terms.</p>
<p>2. Meet with representatives of the requiring activity and/or the contracting officer's technical representatives.</p> <ul style="list-style-type: none"> <li>• Advise the requiring activity of the alternative courses of action that can be taken by the contracting officer.</li> <li>• Obtain the requiring activity's best estimate of cost to complete and determine whether the requiring activity can provide sufficient funds to cover that cost.</li> <li>• Obtain the requiring activity's best estimate of time to complete.</li> <li>• Obtain the requiring activity's best estimate of minimum steps or tasks yet to be done.</li> <li>• Obtain the requiring activity's best estimate of what can be accomplished within current level of funding and whatever additional funds can be provided.</li> </ul>	<p>2. Promptly obtain funding and programming information pertinent to the contract's continuation. Sufficient information is obtained to select one of the course of action in task 3.</p>
<p>3. Select a course of action.</p> <p>Alternatives:</p> <ol style="list-style-type: none"> <li>Provide extra funds/time to complete the contract "as is."</li> <li>Downscope the statement of work to fit remaining funds.</li> <li>Stand pat (pending further factfinding).</li> <li>Terminate (last resort).</li> <li>Take no action, if the contractor is on schedule in terms of time and money.</li> <li>Deobligate and remove excess funds, if any.</li> </ol>	
<p>4. Implement a decision to add funds and/or time to complete the contract "as is."</p> <p>If a cost reimbursement contract:</p> <ul style="list-style-type: none"> <li>• Meet with contractor to review the statement of work, verify the remaining tasks, and negotiate the contractor's proposal on cost and time to complete.</li> <li>• Establish the amount of additional funds required (per Unit 40) and new delivery date; obtain clearance to obligate additional funds from the financial management division.</li> <li>• Determine the consideration to the Government—ordinarily completion of the contract with no increase in fee.</li> <li>• Prepare and execute change to contract (per Unit 75).</li> </ul>	

# UNIT 70 LIMITATION OF COSTS

## Tasks

## Related Standards

<p>5. Implement a decision to downscope the statement of work to fit remaining funds.</p> <p>If a cost reimbursement contract:</p> <ul style="list-style-type: none"> <li>• Obtain contractor's proposal for adjustment of the fee.</li> <li>• Negotiate a new statement of work and fee (per Units 40, 43, 44, and 45).</li> <li>• Prepare and execute supplementary agreement (per Unit 75).</li> </ul>	<p>5. In cost reimbursement contracts, base the adjustment of fee on the percentage of work to be completed in relation to the total work called for in the contract before modification.</p>
<p>6. If the decision is to stand pat pending further factfinding, provide notice to the contractor.</p> <p>State in the notice that:</p> <ul style="list-style-type: none"> <li>• The Government is considering whether to allot additional funds or increase the estimated cost or ceiling price.</li> <li>• The contractor is entitled to stop work when the dollar limit has been reached.</li> <li>• Any work done beyond the dollar limit will be at the contractor's own risk.</li> </ul>	
<p>7. If the decision is to terminate the contract, terminate per Unit 76.</p>	
<p>8. If the decision is to take no action because the contractor appears to be on schedule in terms of time and money, record that decision for the file.</p>	
<p>9. Implement a decision to deobligate and remove excess funds.</p> <p>If a cost reimbursement contract:</p> <ul style="list-style-type: none"> <li>• Informally notify the contractor of the Government's intent to remove excess funds and obtain feedback from the contractor.</li> <li>• Consult program office and prepare revised estimate of cost to complete and the amount of excess funds.</li> <li>• Issue a unilateral modification to deobligate and remove excess funds.</li> </ul>	